

**COLLINS CHABANE  
LOCAL MUNICIPALITY**  
Since 2016



**Collins Chabane Local Municipality  
Annual Financial Statements  
for the year ended June 30, 2020**

## **Collins Chabane Local Municipality**

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2020

### **General Information**

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<b>Nature of business and principal activities</b>	Providing municipal services and maintaining the best interest of the local community.
<b>Accounting Officers</b>	Ngobeni TC Shilenge RR (Acting MM)
<b>Registered office</b>	Municipal Offices 125 Hospital Street Malamulele 0982
<b>Business address</b>	Municipal Offices 125 Hospital Street Malamulele 0982
<b>Postal address</b>	Private Bag X9271 Malamulele 0982
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor-General South Africa (AGSA)

# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2020

## General Information

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**Mayor**  
**Speaker**  
**Chief whip**

Cllr Maluleke M  
Cllr Lebea ME  
Cllr Chauke MG

Members of the Executive Committee

Cllr Maluleke SG  
Cllr Mashimbye FP  
Cllr Mutele TM  
Cllr Mavikane SX  
Cllr Mukhaha AJ  
Cllr Chauke HG  
Cllr Fungheni MC (Retired on 27 September 2020)  
Cllr Baloyi DL  
Cllr Mazibuko MP

Other members of Municipal Council

Cllr Shivambu S  
Cllr Mabasa D  
Cllr Khoza TG  
Cllr Matamela MS  
Cllr Masangu GD  
Cllr Bila TJ  
Cllr Chauke TR  
Cllr Maluleke ET  
Cllr Simango MR  
Cllr Hlongwane SG  
Cllr Makhubele HT  
Cllr Ndove HD  
Cllr Mudau TS  
Cllr Mabasa KK  
Cllr Ngobeni MR  
Cllr Mabasa J  
Cllr Baloyi HR  
Cllr Rivombo KE  
Cllr Sunduza ZW  
Cllr Chabangu TC  
Cllr Khosa HJ  
Cllr Mabunda MC  
Cllr Chauke NS  
Cllr Munyai N  
Cllr Mukhomi VN  
Cllr Maluleke MP  
Cllr Ngobeni NE  
Cllr Mahlale S  
Cllr Moyo MT  
Cllr Mathonsi NP  
Cllr Sambo TM  
Cllr Sithole MW  
Cllr Shandukani MJ  
Cllr Chavani PJ  
Cllr Mashakeni  
Cllr Mulaudzi TN  
Cllr Mudau RP  
Cllr Maswanganyi TC  
Cllr Ndzovela NG  
Cllr Rekhoto SM  
Cllr Nkuna DT  
Cllr Miyambo ZQ  
Cllr Baloyi MJ  
Cllr Baloyi NJ  
Cllr Mahlangu D  
Cllr Mabasa RC

## **Collins Chabane Local Municipality**

(Registration number LIM345)

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### **General Information**

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Cllr Baloyi OC  
Cllr Vukeya HM  
Cllr Machovani RG  
Cllr Tshiredo CE  
Cllr Hlabangwani TL  
Cllr Radzivhoni CM  
Cllr Masia TM  
Cllr Mathoma MP  
Cllr Rikhotso GM  
Cllr Thovhakale MS  
Cllr Ngobeni NL

Audit Committee members:

Mudau FJ (Chairperson)  
Phaleng Podile MH  
Nchabeleng MF  
Nevhutalu TG CA(SA)  
Baloyi NT

# **Collins Chabane Local Municipality**

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Annual Financial Statements for the year ended June 30, 2020

## **Index**

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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### **Abbreviations**

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

### **Preparer**

Maluleke NV

Chief Financial Officer

## **Collins Chabane Local Municipality**

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2020

### **Accounting Officer's Responsibilities and Approval**

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The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officers have reviewed the municipality's cash flow forecast for the year to June 30, 2021 and, in the light of this review and the current financial position, is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is dependent on the intergovernmental grants and transfers for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

The Minister of Finance on 05 August 2020 issued MFMA Exemption Circular no.104 on which the submission of Annual Financial Statements was moved from 31 August 2020 to 31 October 2020

The annual financial statements set out on pages 6 to 62, which have been prepared on the going concern basis, were approved and signed on behalf of Council on October 31, 2020 by:



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**Shilenge RR (Acting MM)**  
Accounting Officer

# **Collins Chabane Local Municipality**

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2020

## **Accounting Officer's Report**

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The accounting officers submit their report for the year ended June 30, 2020.

### **1. Incorporation**

The municipality was incorporated on August 10, 2016 and commenced business on the same day.

The Municipality was established in terms of section 12 of the Municipal Structures Act, No. 117 of 1998 and is a category B municipality. It consists of 71 elected councilors and 36 wards.

### **2. Going concern**

We draw attention to the fact that at June 30, 2020, the municipality had accumulated surplus of R 1,144,644,521 and that the municipality's total assets exceed its liabilities by R 1,144,644,521.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Covid 19 had no significant impact on the municipality going concern. The Municipality will continue to receive its quitable shares for the financial year 2020/21.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to secure funding for the ongoing operations for the municipality and that sound annual financial statements will remain in force for as so long as it takes to maintain the solvency of the municipality.

### **3. Subsequent events**

For subsequent events disclosures refer to note 40 .

### **4. Accounting policies**

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### **5. Accounting Officer**

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality
Ngobeni TC	South African
Shilenge RR (Acting MM)	South African

### **6. Auditors**

Auditor-General South Africa (AGSA) will continue in office for the next financial period.

# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2020

## Statement of Financial Position as at June 30, 2020

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	9	3,892,151	1,258,993
Other receivables from exchange transactions	10	9,256,620	8,825,734
Receivables from non-exchange transactions	11	47,406,340	24,603,455
Consumer receivables from exchange transaction	12	2,135,811	1,604,706
VAT receivable	13	20,032,609	12,563,377
Cash and cash equivalents	14	374,012,734	330,956,279
		<b>456,736,265</b>	<b>379,812,544</b>
<b>Non-Current Assets</b>			
Investment property	3	7,140,083	15,570,000
Property, plant and equipment	4	764,364,350	593,440,827
Intangible assets	5	4,513,822	509,250
Heritage assets	6	1,126,500	-
Other financial assets	7	2	2
		<b>777,144,757</b>	<b>609,520,079</b>
<b>Total Assets</b>		<b>1,233,881,022</b>	<b>989,332,623</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	15	1,911,909	387,756
Payables from exchange transactions	17	73,176,648	61,271,992
Employee benefit obligation	8	4,672,806	3,591,565
Unspent conditional grants and receipts	16	894,694	-
		<b>80,656,057</b>	<b>65,251,313</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	15	3,109,883	-
Employee benefit obligation	8	5,470,563	4,608,186
		<b>8,580,446</b>	<b>4,608,186</b>
<b>Total Liabilities</b>		<b>89,236,503</b>	<b>69,859,499</b>
<b>Net Assets</b>		<b>1,144,644,519</b>	<b>919,473,124</b>
Accumulated surplus		<b>1,144,644,521</b>	<b>919,473,131</b>

\* See Note 36



# Collins Chabane Local Municipality

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Annual Financial Statements for the year ended June 30, 2020

## Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	19	3,583,061	2,694,574
Rendering of services		1,313,554	1,339,759
Agency services	18	1,888,807	2,138,269
Licences and permits	18	3,015,106	2,795,681
Rental income	20	13,858	46,537
Interest income	21	10,674,171	11,741,614
<b>Total revenue from exchange transactions</b>		<b>20,488,557</b>	<b>20,756,434</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	22	34,729,475	33,937,423
<b>Transfer revenue</b>			
Government grants & subsidies	23	476,504,345	450,458,142
Gain or (Loss) on assets/ Fair value adjustments		(4,831,487)	6,355,052
Traffic fines		531,450	371,350
<b>Total revenue from non-exchange transactions</b>		<b>506,933,783</b>	<b>491,121,967</b>
<b>Total revenue</b>	18	<b>527,422,340</b>	<b>511,878,401</b>
<b>Expenditure</b>			
Employee related costs	24	(109,512,674)	(82,965,552)
Remuneration of councillors	25	(26,743,146)	(26,353,098)
Depreciation and amortisation	26	(30,987,268)	(21,108,156)
Finance costs	27	(110,625)	(41,243)
Debt Impairment	28	(10,803,822)	(6,770,729)
Repairs and maintenance		(5,991,219)	(4,037,077)
Contracted services	29	(60,017,751)	(65,454,482)
General Expenses	30	(58,284,444)	(68,452,821)
<b>Total expenditure</b>		<b>(302,250,949)</b>	<b>(275,183,158)</b>
<b>Operating surplus</b>		<b>225,171,391</b>	<b>236,695,243</b>
<b>Surplus for the year</b>		<b>225,171,391</b>	<b>236,695,243</b>

\* See Note 36

## Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2020

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at July 1, 2018</b>	<b>682,777,888</b>	<b>682,777,888</b>
Changes in net assets		
Surplus for the year	236,695,243	236,695,243
Total changes	236,695,243	236,695,243
Opening balance as previously reported	915,564,995	915,564,995
Adjustments		
Prior year adjustments (Note 35)	3,908,135	3,908,135
<b>Restated* Balance at July 1, 2019 as restated*</b>	<b>919,473,130</b>	<b>919,473,130</b>
Changes in net assets		
Surplus for the year	225,171,391	225,171,391
Total changes	225,171,391	225,171,391
<b>Balance at June 30, 2020</b>	<b>1,144,644,521</b>	<b>1,144,644,521</b>
Note(s)		

\* See Note 36

# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2020

## Cash Flow Statement

Figures in Rand

	Note(s)	2020	2019 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		3,277,608	15,224,983
Service charges		1,323,616	(926,593)
Grants and subsidies		477,399,000	421,599,004
Interest income		10,674,171	11,741,614
Other receipts		7,801,175	27,519,695
		<u>500,475,570</u>	<u>475,158,703</u>
<b>Payments</b>			
Employee costs		(132,875,621)	(107,947,017)
Suppliers and other payments		(119,737,158)	(110,938,411)
		<u>(252,612,779)</u>	<u>(218,885,428)</u>
<b>Net cash flows from operating activities</b>	32	<b><u>247,862,791</u></b>	<b><u>256,273,275</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(192,240,652)	(172,683,416)
Purchase of other intangible assets	5	(4,485,962)	-
Purchases of heritage assets	6	(1,126,500)	-
<b>Net cash flows from investing activities</b>		<b><u>(203,327,185)</u></b>	<b><u>(172,683,416)</u></b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(1,479,152)	(753,048)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>43,056,454</b>	<b>82,836,811</b>
Cash and cash equivalents at the beginning of the year		330,956,279	248,119,468
<b>Cash and cash equivalents at the end of the year</b>	14	<b><u>374,012,733</u></b>	<b><u>330,956,279</u></b>

\* See Note 36

# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2020

## Statement of Comparison of Budget and Actual Amounts

Budget ■■ Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges - refuse	3,192,024	-	3,192,024	3,583,061	391,037	Note ■■
Other income	6,625,716	11,543,940	18,169,656	1,313,554	(16,856,102)	
Agency services	2,054,160	-	2,054,160	1,888,807	(165,353)	
Licence and permits	-	-	-	3,015,106	3,015,106	
Rental income	-	253,163	253,163	13,858	(239,305)	
Interest income - Bank	9,052,008	(6,052,000)	3,000,008	10,674,171	7,674,163	
<b>Total revenue from exchange transactions</b>	<b>20,923,908</b>	<b>5,745,103</b>	<b>26,669,011</b>	<b>20,488,557</b>	<b>(6,180,454)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	22,960,549	8,000,000	30,960,549	34,729,475	3,768,926	
<b>Transfer revenue</b>						
Government grants & subsidies	473,922,012	3,476,996	477,399,008	476,504,345	(894,663)	
Gain on asset/ fair value adjustments	-	-	-	(4,831,487)	(4,831,487)	
Traffic fines	-	620,262	620,262	531,450	(88,812)	
<b>Total revenue from non-exchange transactions</b>	<b>496,882,561</b>	<b>12,097,258</b>	<b>508,979,819</b>	<b>506,933,783</b>	<b>(2,046,036)</b>	
<b>Total revenue</b>	<b>517,806,469</b>	<b>17,842,361</b>	<b>535,648,830</b>	<b>527,422,340</b>	<b>(8,226,490)</b>	
<b>Expenditure</b>						
Personnel	(113,897,448)	(3,450,714)	(117,348,162)	(109,512,674)	7,835,488	
Remuneration of councillors	(27,431,244)	443,966	(26,987,278)	(26,743,146)	244,132	
Depreciation and amortisation	(16,302,468)	(6,890,000)	(23,192,468)	(30,987,268)	(7,794,800)	
Finance costs	-	-	-	(110,625)	(110,625)	
Debt Impairment	-	-	-	(10,603,822)	(10,603,822)	
Repairs and maintenance	(7,233,036)	(1,154,752)	(8,387,788)	(5,991,219)	2,396,569	
Contracted Services	(11,912,376)	(69,518,395)	(81,430,771)	(60,017,751)	21,413,020	
General Expenses	(41,800,224)	(50,340,365)	(92,140,589)	(58,284,444)	33,856,145	
<b>Total expenditure</b>	<b>(218,576,796)</b>	<b>(130,910,260)</b>	<b>(349,487,056)</b>	<b>(302,250,949)</b>	<b>47,236,107</b>	
<b>Surplus</b>	<b>299,229,673</b>	<b>(113,067,899)</b>	<b>186,161,774</b>	<b>225,171,391</b>	<b>39,009,617</b>	
<b>Actual Amount on Comparable ■■■ as Presented in the Budget and Actual Comparative Statement</b>	<b>299,229,673</b>	<b>(113,067,899)</b>	<b>186,161,774</b>	<b>225,171,391</b>	<b>39,009,617</b>	
<b>Reconciliation</b>						

# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	1,258,993	-	1,258,993	3,892,151	2,633,158	Note ■■
Other receivables from exchange transactions	-	-	-	9,256,620	9,256,620	
Receivables from non-exchange transactions	38,813,085	5,600,000	44,413,085	47,406,340	2,993,255	
VAT receivable	-	-	-	20,032,609	20,032,609	
Consumer debtors - other	21,953,353	-	21,953,353	2,135,811	(19,817,542)	
Cash and cash equivalents	431,687,063	(211,738,648)	219,948,415	374,012,734	154,064,319	
	<b>493,712,494</b>	<b>(206,138,648)</b>	<b>287,573,846</b>	<b>456,736,265</b>	<b>169,162,419</b>	

##### Non-Current Assets

Investment property	15,570,000	-	15,570,000	7,140,083	(8,429,917)	
Property, plant and equipment	776,144,767	84,499,700	860,644,467	764,364,350	(96,280,117)	
Intangible assets	509,250	8,571,045	9,080,295	4,513,822	(4,566,473)	
Heritage assets	-	-	-	1,126,500	1,126,500	
Other financial assets	2	-	2	2	-	
	<b>792,224,019</b>	<b>93,070,745</b>	<b>885,294,764</b>	<b>777,144,757</b>	<b>(108,150,007)</b>	

#### Total Assets

<b>1,285,936,513</b>	<b>(113,067,903)</b>	<b>1,172,868,610</b>	<b>1,233,881,022</b>	<b>61,012,412</b>	
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#### Liabilities

##### Current Liabilities

Finance lease obligation	387,756	-	387,756	1,911,909	1,524,153	
Payables from exchange transactions	61,776,308	-	61,776,308	73,176,648	11,400,340	
Employee benefit obligation	3,685,316	-	3,685,316	4,672,806	987,490	
Unspent conditional grants and receipts	-	-	-	894,694	894,694	
	<b>65,849,380</b>	<b>-</b>	<b>65,849,380</b>	<b>80,656,057</b>	<b>14,806,677</b>	

##### Non-Current Liabilities

Finance lease obligation	-	-	-	3,109,883	3,109,883	
Employee benefit obligation	5,292,472	-	5,292,472	5,470,563	178,091	
	<b>5,292,472</b>	<b>-</b>	<b>5,292,472</b>	<b>8,580,446</b>	<b>3,287,974</b>	

#### Total Liabilities

<b>71,141,852</b>	<b>-</b>	<b>71,141,852</b>	<b>89,236,503</b>	<b>18,094,651</b>	
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#### Net Assets

<b>1,214,794,661</b>	<b>(113,067,903)</b>	<b>1,101,726,758</b>	<b>1,144,644,519</b>	<b>42,917,761</b>	
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#### ■ Assets

#### Net Assets Attributable ■ Owners of Controlling Entity

##### Reserves

Accumulated surplus	1,214,794,661	(113,067,903)	1,101,726,758	1,144,644,519	42,917,761	
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# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Property rates, penalties and collection charges	7,792,668	2,400,000	10,192,668	8,786,859	(1,405,809)	Note ■■
Service charges	3,792,024	-	3,792,024	639,487	(3,152,537)	
Grant and subsidies	473,922,012	3,476,988	477,399,000	477,399,000	-	
Other receipts	8,679,876	12,417,346	21,097,222	2,129,952	(18,967,270)	
Interest - Bank	9,052,008	(6,052,000)	3,000,008	10,674,171	7,674,163	
	<b>503,238,588</b>	<b>12,242,334</b>	<b>515,480,922</b>	<b>499,629,469</b>	<b>(15,851,453)</b>	

##### Payments

Employee costs and suppliers	(196,296,528)	(122,291,021)	(318,587,549)	(133,254,135)	186,333,414	
Supplier and other payments	(5,977,800)	(1,729,239)	(7,707,039)	(97,418,635)	(89,711,596)	
	<b>(202,274,328)</b>	<b>(124,020,260)</b>	<b>(326,294,588)</b>	<b>(230,672,770)</b>	<b>95,621,818</b>	

<b>Net cash flows from operating activities</b>	<b>300,964,260</b>	<b>(111,777,926)</b>	<b>189,186,334</b>	<b>268,956,699</b>	<b>79,770,365</b>	
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#### Cash flows from investing activities

Purchase of property, plant and equipment	(200,233,476)	(99,960,745)	(300,194,221)	(213,309,514)	86,884,707	
Purchase of other intangible assets	-	-	-	(4,485,962)	(4,485,962)	
Purchases of heritage assets	-	-	-	(1,126,500)	(1,126,500)	
<b>Net cash flows from investing activities</b>	<b>(200,233,476)</b>	<b>(99,960,745)</b>	<b>(300,194,221)</b>	<b>(218,921,976)</b>	<b>81,272,245</b>	

#### Cash flows from financing activities

movement in finance lease	-	-	-	(1,504,197)	(1,504,197)	
Net increase/(decrease) in cash and cash equivalents	100,730,784	(211,738,671)	(111,007,887)	48,530,526	161,042,610	
Cash and cash equivalents at the beginning of the year	330,956,279	-	330,956,279	-	(330,956,279)	
<b>Cash and cash equivalents ■■ at the end of the year</b>	<b>431,687,063</b>	<b>(211,738,671)</b>	<b>219,948,392</b>	<b>48,530,526</b>	<b>(169,913,669)</b>	

#### Reconciliation

All significant variances +/-10 have been explained under note 45.

# **Collins Chabane Local Municipality**

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2020

## **Accounting Policies**

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### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

#### **1.1 Presentation currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

#### **1.2 Going concern assumption**

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### **1.3 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

# Collins Chabane Local Municipality

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Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

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### 1.3 Investment property (continued)

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note ).

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.



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## Accounting Policies

### 1.4 Property, plant and equipment (continued)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct ■ item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If ■ replacement cost is recognised in the carrying amount of ■ item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as ■ result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are ■ condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as ■ replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment of land and building is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses in line with the valuation roll of the municipality.

Depreciation is calculated on the asset's depreciable amount, using the straight line method over useful lives of the asset. The components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives ■ per the MFMA - Local Government Capital Assets Management Guideline.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life (years)
Boundary walls	Straight line	20 - 40
Buildings/ Building works	Straight line	5 - 30
Electrical supply	Straight line	7 - 80
Fencing	Straight line	10 - 50
On site paving	Straight line	15 - 30
Other external works	Straight line	15 - 50
Sewerage systems	Straight line	10 - 55
Water supply	Straight line	5 - 100
Bins and containers	Straight line	5 - 15
Computer equipment	Straight line	3 - 10
Furniture and fittings	Straight line	3 - 10
Motor vehicles	Straight line	4 - 15
Office equipment	Straight line	3 - 15
Plant and equipment	Straight line	2 - 20
Bridges	Straight line	15 - 80
Road furniture	Straight line	15 - 50
Road structures	Straight line	20 - 100
Storm water drainage	Straight line	20 - 100
Intangibles	Straight line	2 - 5
Flood lightning	Straight line	5 - 40
Street light	Straight line	5 - 40
Traffic lights	Straight line	5 - 40

# Collins Chabane Local Municipality

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## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

Leased assets

Not fixed

Limited to the contract term

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

#### Impairment.

The municipality tests for impairment where there is an indication that the asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable (recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount), and an impairment loss is charged to the Statement of Financial Performance. (Impairment loss of a valued asset is treated as a revaluation decrease).

#### De-recognition.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note ).

### 1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

# Collins Chabane Local Municipality

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## Accounting Policies

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### 1.5 Intangible assets (continued)

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

#### Subsequent measurement.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life (years)
Licenses and franchises	Straight line	2-5
Computer software, other	Straight line	2-5
Other intangible assets	Straight line	2-5

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

#### De-recognition

Intangible assets are de-recognised when the asset is disposed of or when no future economic benefits or service potential is expected from its use. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sale proceeds and the carrying value and is recognised in the Statement of Financial Performance. The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.6 Heritage Assets

Heritage assets are assets that have cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Initial measurement

Heritage assets are measured at cost.

# Collins Chabane Local Municipality

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## Accounting Policies

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### 1.6 Heritage Assets (continued)

Where a heritage asset is acquired through ■ non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition ■ an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses. After recognition ■ an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. The fair value of heritage assets will be determined after every three (3) years

If a heritage asset's carrying amount is increased ■ a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses ■ revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If ■ heritage asset's carrying amount is decreased as ■ result of ■ revaluation, the decrease is recognised in surplus or deficit.

However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential ■ expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.7 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or ■ residual interest of another entity.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- ■ residual interest of another entity; or
- ■ contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is ■ contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because ■ specified debtor fails to make payment when due in accordance with the original or modified terms of ■ debt instrument.

A financial liability is any liability that is ■ contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

## **Collins Chabane Local Municipality**

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### **Accounting Policies**

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#### **1.7 Financial instruments (continued)**

Consumer deposits are recognised ■ liabilities

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## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Initial recognition

The entity recognises a financial asset or ■ financial liability in its statement of financial position when the entity becomes ■ party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value, plus, (in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses ■ discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in ■ active market. Differences may arise between the fair value initially recognised in (which in accordance with GRAP 104, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to ■ change in the factors (including time) that market participants would consider in setting the price.

#### Subsequent measurement

Financial Assets are categorised according to their nature ■ either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation. The municipality classifies its financial assets into the following categories:

- loans and receivables; a
- fair value through profit and loss.

The classification depends on the purpose for which the financial asset is acquired, and is as follows: Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that ■ derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as ■ noncurrent asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of ■ financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

#### Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified ■ current.

Cash includes cash on hand and cash with banks (including call deposits). Cash equivalents ■ short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

# Collins Chabane Local Municipality

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Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Impairment

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that ■ financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than ■ temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated ■ being the difference between the carrying amount and the present value of the expected future cash flows flowing from the financial asset.

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than ■ temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

#### Impairment of non-financial assets

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than ■ temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

#### Gains and losses

A gain or loss arising from ■ change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

### 1.8 Value Added Tax

#### Basis

The municipality accounts for Value Added Tax on cash basis.

### 1.9 Leases

A lease is classified as ■ finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised ■ assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so ■ to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they ■ incurred.

# Collins Chabane Local Municipality

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## Accounting Policies

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### 1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at weighted average cost method.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:



# Collins Chabane Local Municipality

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Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

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### 1.12 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

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### 1.12 Employee benefits (continued)

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### Termination benefits

The entity recognises termination benefits ■ a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to ■ termination when the entity has ■ detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan ■ not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has ■ present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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## Accounting Policies

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### 1.13 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and

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## Accounting Policies

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### 1.13 Provisions and contingencies (continued)

- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners. Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances. Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

### Service charges

When the outcome of a transaction involving the rendering services can be estimated reliably, revenue associated with the transaction is recognised by the stage of completion of the transaction at the reporting date. The outcome of the transaction can be estimated reliably when the following are met:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- and the amount of the revenue can be measured reliably.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

### Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### Interest

Interest shall be recognised on a time proportionate basis that takes into account the effective interest yield on the asset.

### Agency services

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### **Accounting Policies**

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#### **1.15 Revenue from exchange transactions (continued)**

Income for agency services is recognised on ■ monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement. The revenue is limited to the amount of any fee or commission payable to the municipality ■■ compensation for executing the agreed services.

Collection charges are recognised when incurred.

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## Accounting Policies

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### 1.15 Revenue from exchange transactions (continued)

#### Interest

Interest is recognised, on a time proportionate basis that takes into account the effective interest rate method.

### 1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient ■ specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that ■ available to beneficiaries regardless of whether or not they pay taxes.

Gain on assets - this apply die to assets acquired at no consideration or including fair value adjustment on investment property.

Non-exchange transactions ■ transactions that are not exchange transactions. In ■ non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of ■ transferred asset by entities external to the reporting municipality.

#### Property rates

The Municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria is met. Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Collection charges are recognised when such amounts are legally enforceable.

Rebates are respectively granted to owner of land on which not more than two dwelling units are erected provided that solely used for residential purpose.

Assessment rates income is recognised was rates account has been issued to the ratepayers

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Government grant ■ transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets ■ measured at their fair value as at the date of acquisition.

# **Collins Chabane Local Municipality**

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## **Accounting Policies**

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### **1.16 Revenue from non-exchange transactions (continued)**

#### **Traffic Fines**

Fines are recognised ■ revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

### **1.17 Investment income**

Investment income is recognised on ■ time-proportion basis using the effective interest method.

### **1.18 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in current year.

### **1.19 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised ■ an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for ■ revenue in the statement of financial performance.

### **1.20 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.21 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

# **Collins Chabane Local Municipality**

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## **Accounting Policies**

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### **1.21 Irregular expenditure (continued)**

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to ■ person, ■ debt account must be created if such ■ person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### **1.22 Budget Information**

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2019 to 6/30/2020.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Municipality will provide explanation of +/-10% variance on comparison of budget and actual amount

### **1.23 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be

influenced by, that management in their dealings with the municipality. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### **1.24 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that ■■■ after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.



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### **Accounting Policies**

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#### **1.24 Events after reporting date (continued)**

The municipality will disclose the nature of the event and an estimate of its financial effect or ■ statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

#### **1.25 Expenditure**

Expenditure is recognised for in the financial statements on accrual basis

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
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Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph . 12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

### 3. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	7,140,083	-	7,140,083	15,570,000	-	15,570,000

#### Reconciliation of Investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	15,570,000	(8,429,917)	7,140,083

#### Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	10,258,000	5,312,000	15,570,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The municipality has performed assessment of impairment as at 30 June 2019

# Collins Chabane Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

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### 4. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	8,393,442	-	8,393,442	8,393,442	-	8,393,442
Buildings	25,086,419	(3,387,563)	21,698,856	25,132,206	(2,495,893)	22,636,313
Movable assets	65,457,181	(22,765,406)	42,691,775	52,709,138	(10,811,399)	41,897,739
Community assets	90,031,306	(13,259,794)	76,771,512	89,902,515	(8,670,126)	81,232,389
Road infrastructure	399,757,137	(31,644,469)	368,112,668	281,387,558	(20,296,059)	261,091,499
Leased assets	6,400,628	(1,532,186)	4,868,442	2,503,446	(2,115,374)	388,072
WIP - Infrastructure	216,700,774	-	216,700,774	172,890,031	-	172,890,031
Electricity assets	25,887,001	(760,120)	25,126,881	5,474,071	(562,729)	4,911,342
<b>Total</b>	<b>837,713,888</b>	<b>(73,349,538)</b>	<b>764,364,350</b>	<b>638,392,407</b>	<b>(44,951,580)</b>	<b>593,440,827</b>

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### Notes to the Annual Financial Statements

Figures in Rand

#### 4. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	8,393,442	-	-	-	-	-	8,393,442
Buildings	22,636,313	-	-	(42,101)	(895,356)	-	21,698,856
Movable assets	41,897,739	9,548,697	104,120	3,062,190	(6,260,650)	(5,660,321)	42,691,775
Community assets	81,232,389	380,428	-	(210,327)	(4,539,188)	(91,792)	78,771,512
Road Infrastructure	261,091,499	118,369,580	-	-	(10,136,212)	(1,212,199)	368,112,668
Leased Assets	388,072	6,004,797	-	-	(1,524,427)	-	4,868,442
WIP - Infrastructure	172,890,031	182,691,955	-	(138,881,212)	-	-	216,700,774
Electricity Assets	4,911,342	20,252,658	148,309	-	(164,672)	(20,756)	25,126,881
	<b>593,440,827</b>	<b>337,248,115</b>	<b>252,429</b>	<b>(136,071,450)</b>	<b>(23,520,503)</b>	<b>(6,985,066)</b>	<b>764,364,350</b>

##### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	8,949,440	-	-	(21,000)	-	(534,998)	-	8,393,442
Buildings	18,236,863	-	5,157,708	-	(758,258)	-	-	22,636,313
Movable assets	34,772,146	12,580,636	-	-	(4,177,169)	(2,379,479)	1,101,605	41,897,739
Community	39,835,818	-	45,509,839	21,000	(3,917,588)	(216,680)	-	81,232,389
Road - Infrastructure	177,993,462	-	92,258,344	-	(6,878,294)	(2,282,013)	-	261,091,499
Leased Assets	1,222,460	-	-	-	(834,388)	-	-	388,072
WIP - Infrastructure	174,855,775	159,589,229	-	(161,554,973)	-	-	-	172,890,031
Electrical assets	5,092,021	-	-	-	(180,679)	-	-	4,911,342
	<b>460,957,985</b>	<b>172,169,865</b>	<b>142,925,891</b>	<b>(161,554,973)</b>	<b>(16,746,376)</b>	<b>(5,413,170)</b>	<b>1,101,605</b>	<b>593,440,827</b>

# Collins Chabane Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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### 4. Property, plant and equipment (continued)

The Municipality reviewed the Property, Plant and equipment useful lives and residual values ■ at 30 June 2020.

#### Pledged ■ security

During the financial year ended 30 June 2020, no components of property, plant and equipment were pledged as security for borrowings or banking facilities.

Included in the Work in Progress - Infrastructure, are electrification of villages WIP assets amounting to 2019: R27 555 400 funded from INEP grant. These assets will be transferred to a third party (Eskom), upon completion and are not the asset of the Municipality.

#### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Electricity	207,230	437,012
Building	70,393	450,521
Machinery and equipment	637,242	739,402
Road Infrastructure	260,870	1,480,568
Motor Vehicles	496,178	929,575
	<b>1,671,913</b>	<b>4,037,078</b>

### 5. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5,585,822	(1,072,000)	4,513,822	1,099,860	(590,610)	509,250

#### Reconciliation of Intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	509,250	4,485,962	(481,390)	4,513,822

#### Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software, other	729,222	(219,972)	509,250

The municipality has reviewed the useful lives, residual values and performed assessment of impairment ■ at 30 June 2020

### 6. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain and gowns	1,126,500	-	1,126,500	-	-	-

# Collins Chabane Local Municipality

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## Notes to the Annual Financial Statements

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### 6. Heritage assets (continued)

#### Reconciliation of heritage assets R110

	Opening balance	Additions	Total
Mayoral chain and gowns	-	1,126,500	1,126,500

### 7. Other financial assets

#### Residual interest at cost

Investment - VBS

122,410,521 122,410,521

Impairments

122,410,521 122,410,521  
(122,410,519) (122,410,519)

2 2

#### At amortised cost

Investment - VBS

122,410,521 122,410,521

#### Total other financial assets

122,410,523 122,410,523

#### Non-current assets

Residual interest at cost

2 2

#### Financial assets at fair value

# Collins Chabane Local Municipality

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### 8. Employee benefit obligations

#### Defined benefit plan

The total amounts recognised in the statement of financial position are as follows:

Defined benefit obligation - Long service award	3,139,000	2,549,000
Defined benefit obligation - Unused leave days	7,004,369	5,650,751
	<b>10,143,369</b>	<b>8,199,751</b>

#### 8.1 Long-Service award

The municipality provides long service awards to its permanent employees. The municipality offers rewards for specified year intervals of completed years of services.

In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of every year. The latest valuation was performed by ARCH Actuarial Consulting for 30 June 2020.

Long service awards relate to the legal obligation to provide long service awards. Actuarial benefits have been calculated for 218 eligible employee as at 30 June 2020 that are entitled to long service awards.

The long service awards liability is not a funded arrangement. i.e no assets have been set aside to meet this liability. The municipality offers rewards as per specified year intervals of completed service.

	2020	2019
Long term portion	R3 004 000	R2 410 000
Current portion	R135 000	R139 000
	<b>R3 139 000</b>	<b>R2 549 000</b>

#### Key assumptions

	2020	2019
Discount rate (%)	7	6
General salary inflation (%)	4	6
Net discount rate (%)	3	2
Average retirement age (Years)	62	62
	-	-

#### 8.2 Unused leave days.

This is the present value of the total unused leave benefit expected to become payable under the employer's current service arrangements and based on the assumption made.

This may be regarded as the amount of money that should be set aside in present day terms to cover all expected unused leave benefit for current employees.

	2020	2019
Long term portion	R2 466 563	R2 198 186
Current portion	R4 537 806	R3 452 565
	<b>R7 004 369</b>	<b>R5 650 751</b>

#### Assumption used at the reporting date

	2020	2019
Discount rates used	10.14%	9.15%
General salary inflation	5.76%	6.14%
Net discount rate	4.15%	2.83%
Average retirement age	62	62

## Collins Chabane Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>9. Inventories</b>		
Consumable stores	3,892,138	1,258,980
Land inventory	13	13
	<b>3,892,151</b>	<b>1,258,993</b>

Land inventory consist of municipal land currently occupied by persons to whom the land has not been legally transferred. The land is recognised at R1 fair value each with view to apply market values upon sale or transfer of titles/ ownership.

#### 10. Other receivables from exchange transactions

Deposits	862,295	326,055
Sundry debtors	8,394,325	8,499,679
	<b>9,256,620</b>	<b>8,825,734</b>

There was no sundry debtors which was pledged as collateral

#### 11. Receivables from non-exchange transactions

Traffic fines	584,750	358,250
Traffic fines - Impairment	(279,800)	-
Property rates	83,811,356	52,359,489
Property rates - impairment	(36,709,966)	(28,114,284)
	<b>47,406,340</b>	<b>24,603,455</b>

##### Ageing for rates.

	2020	2019
Current (0-30 days)	2,525,932	8,516,044
31-60 days	2,772,643	2,682,059
61- 90 days	2,559,837	2,609,348
91-120 days	4,857,015	2,437,586
121-365 days	17,536,829	11,895,454
> 365 days	53,559,100	24,218,998
	83,811,356	52,359,489
Less: Allowance for impairment	(36,709,966)	(28,114,284)
	<b>47,101,390</b>	<b>24,245,205</b>

Fair value of consumer debtors approximates the carrying amount thereof.

#### 12. Consumer receivables from exchange transaction

##### Gross balances

Refuse	18,157,830	15,898,385
Consumer debtors - other	22,471,597	22,471,597
	<b>40,629,427</b>	<b>38,369,982</b>

##### Less: Allowance for impairment

Refuse	(16,022,021)	(14,293,681)
Others	(22,471,595)	(22,471,595)
	<b>(38,493,616)</b>	<b>(36,765,276)</b>



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#### 12. Consumer receivables from exchange transaction (continued)

##### Net balance

Refuse	2,135,809	1,604,704
Other	2	2
	<b>2,135,811</b>	<b>1,604,706</b>

##### Refuse

Current (0 -30 days)	7,750,250	537,441
31 - 60 days	254,141	271,833
61 - 90 days	492,308	270,001
91 - 120 days	239,387	248,172
121 - 365 days	1,605,043	1,920,743
> 365 days	7,812,671	12,650,195
Less: Allowance for impairment	(16,022,021)	(14,293,681)
	<b>2,131,779</b>	<b>1,604,704</b>

##### Other

Current (0 -30 days)	54,980	54,980
31 - 60 days	36,028	36,028
61 - 90 days	35,679	35,679
91 - 120 days	35,385	35,385
121 - 365 days	238,916	238,916
> 365 days	22,070,609	22,070,609
Less: Allowance for impairment	(22,471,595)	(22,471,595)
	<b>2</b>	<b>2</b>

## Collins Chabane Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>12. Consumer receivables from exchange transaction (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Residential</b>		
Current (0 -30 days)	1,225,511	1,027,012
31 - 60 days	836,476	795,157
61 - 90 days	830,199	786,490
91 - 120 days	806,622	781,050
121 - 365 days	5,187,793	6,003,076
> 365 days	115,834,218	105,816,496
	<b>124,720,819</b>	<b>115,209,281</b>
<b>Industrial/Commercial</b>		
Current (0 -30 days)	163,773	642,132
31 - 60 days	117,230	149,741
61 - 90 days	115,229	146,742
91 - 120 days	106,888	138,086
121 - 365 days	727,865	983,334
> 365 days	11,947,988	10,838,611
	<b>13,178,973</b>	<b>12,898,646</b>
<b>National and Provincial Government</b>		
Current (0 -30 days)	2,429,340	7,389,218
31 - 60 days	1,900,697	1,573,857
61 - 90 days	1,545,644	1,559,517
91 - 120 days	2,145,500	1,810,215
121 - 365 days	12,703,677	10,289,621
> 365 days	24,590,953	2,440,761
	<b>45,315,811</b>	<b>25,063,189</b>
	-	-
<b>Total</b>		
Current (0 -30 days)	3,818,624	9,058,362
31 - 60 days	2,854,403	2,518,756
61 - 90 days	2,491,072	2,492,907
91 - 120 days	3,059,010	2,729,351
121 - 365 days	18,619,336	17,276,031
> 365 days	152,373,159	119,095,868
	<b>183,215,604</b>	<b>163,171,275</b>
<b>13. VAT receivable</b>		
VAT	20,032,609	12,563,377
VAT is accounted for on cash basis.		
<b>14. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	69,404	-
Bank balances	373,943,330	330,956,279
	<b>374,012,734</b>	<b>330,956,279</b>

## Collins Chabane Local Municipality

(Registration number LIM345)

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### Notes to the Annual Financial Statements

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#### 14. Cash and cash equivalents (continued)

There difference between the bank statement and cash book ■■■ due to cash on hand ■■ at 30 June 2020. There was no short-term investment made during the year under review.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	June 30, 2020	June 30, 2019	June 30, 2018
Current Account - 62632407020	373,943,330	330,956,279	248,119,468	374,012,733	330,956,279	248,119,468

#### 15. Finance lease obligation

##### Minimum lease payments due

- within one year	1,911,909	387,756
- in second to fifth year inclusive	3,109,883	-

##### Present value of minimum lease payments

<b>5,021,792</b>	<b>387,756</b>
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Non-current liabilities

3,109,883	-
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Current liabilities

1,911,909	387,756
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<b>5,021,792</b>	<b>387,756</b>
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Municipality has entered into a new contract during the year to lease photocopier machines for a non-renewable period of 36 month. The lease agreement provides for monthly payments with 10% annual escalation.

#### 16. Unspent conditional grants and receipts

The Municipality has one unspent conditional grant ■■ at 30 June 2020. Below is the detail reconciliation:

Unspent conditional grants and receipts comprises of:

##### Unspent conditional grants and receipts

INEP	894,694	-
------	---------	---

#### 17. Payables from exchange transactions

Trade payables	33,206,008	32,222,260
Payments received in advance from customers	3,668,980	2,396,233
Sundry creditors	3,976,657	2,749,068
Accrued bonus - 13th cheque	2,571,278	1,134,798
Unallocated deposits	561,264	138,225
Retention	27,765,728	22,076,878
Department of Transport	1,426,733	554,530
	<b>73,176,648</b>	<b>61,271,992</b>

Payables increase is linked to the growth of the municipality ■■ project implementation and invoices not paid at year end.

# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>18. Total revenue</b>		
Rendering of services	1,313,554	1,339,759
Service charges	3,583,061	2,694,574
Agency services	1,888,807	2,138,269
Licences and permits	3,015,106	2,795,681
Rental income	13,858	46,537
Interest earned - bank	10,674,171	11,741,614
Property rates	34,729,475	33,937,423
Government grants & subsidies	476,504,345	450,458,142
Gain or (Loss) on assets/ Fair value adjustments	(4,831,487)	6,355,052
Traffic fines	531,450	371,350
	<b>527,422,340</b>	<b>511,878,401</b>

The amount included in revenue arising from exchanges of goods or services is as follows:

Service charges	3,583,061	2,694,574
Rendering of services	1,313,554	1,339,759
Agency services	1,888,807	2,138,269
Licences and permits	3,015,106	2,795,681
Rental income	13,858	46,537
Interest income - bank	10,674,171	11,741,614
	<b>20,488,557</b>	<b>20,756,434</b>

The amount included in revenue arising from non-exchange transactions is as follows:

<b>Taxation revenue</b>		
Property rates	34,729,475	33,937,423
<b>Transfer revenue</b>		
Government grants & subsidies	476,504,345	450,458,142
Gain on assets/ Fair value adjustments	(4,831,487)	6,355,052
Traffic fines	531,450	371,350
	<b>506,933,783</b>	<b>491,121,967</b>

### Nature

Rendering of services - This include revenue for sale of tender documents, approval of building plans and proof of residence fees.

Service revenue - Is the revenue from refuse removal services provided by the municipality

### 19. Service charges

Refuse removals	3,583,061	2,694,574
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### 20. Rental Income

Rental income - third party	13,858	46,537
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### 21. Interest revenue

#### Interest revenue

Interest income - Bank	10,674,171	11,741,614
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During the current year interest were only earned from the primary bank account.

## Collins Chabane Local Municipality

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Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>22. Property rates</b>		
<b>Rates received</b>		
Property rates	34,729,475	33,937,423
<b>Valuations</b>		
Residential	1,272,602,591	1,155,483,594
Commercial	399,216,000	389,285,000
Agricultural	858,186,000	789,783,000
Government	1,035,227,004	947,482,000
	<b>3,565,231,595</b>	<b>3,282,033,594</b>

## Collins Chabane Local Municipality

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Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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#### 23. Government grants and subsidies

##### Operating grants

Equitable share	369,556,035	327,068,142
Municipal Systems Improvement Grant (MSIG)	-	1,061,000
Financial Management Grant (FMG)	2,345,000	2,345,000
Extended Public Works Programme Grant (EPWP)	1,169,000	1,134,000
Disaster Relief Grant (DRG)	298,000	-
	<b>373,368,035</b>	<b>331,608,142</b>

##### Capital grants

Municipal Infrastructure Grant (MIG)	94,031,000	101,850,000
Integrated Nation Electrification Program Grant (INEP)	9,105,310	17,000,000
	<b>103,136,310</b>	<b>118,850,000</b>
	<b>476,504,345</b>	<b>450,458,142</b>

##### Equitable Share

In terms of the constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy which is funded from the grant.

##### Finance Management Grant (FMG)

Current-year receipts	2,345,000	2,345,000
Conditions met - transferred to revenue	(2,345,000)	(2,345,000)
	-	-

This grant is used to promote and support reforms to municipal financial management and implementation of MFMA, 2003. The conditions of the grant were met. No funds have been withheld.

##### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	16,085,354
Current-year receipts	94,031,000	101,850,000
	-	(16,085,354)
Conditions met - transferred to revenue	(94,031,000)	(101,850,000)
	-	-

The grant conditions were met in the current year 2020 and prior year 2019.

This grant was used to construct Municipal Infrastructure to provide basic services for the benefit of communities.

##### Municipal Demarcation Transition Grant (MDTG)

Balance unspent at beginning of year	-	7,782,548
Other	-	(7,782,548)
	-	-

The grant was used to subsidise the additional institutional and administrative costs arising from major boundary changes due to come into effect at the time of the 2016 local government elections.

No grants were received in current year

##### Integrated National Electrification Programme

## Collins Chabane Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>23. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	-	4,991,240
Current-year receipts	10,000,000	17,000,000
Conditions met - transferred to revenue	(9,105,311)	(17,000,000)
Funds withheld	-	(4,991,240)
	<b>894,689</b>	<b>-</b>

Conditions were met for 2019. Conditions were still to be met for 2020 - remain liabilities (see note 16). The grant is meant for electrification projects. The Municipality has applied for the Roll-Over of the grant

#### Extended Public Works Program (EPWP)

Current-year receipts	1,169,000	1,134,000
Conditions met - transferred to revenue	(1,169,000)	(1,134,000)
	<b>-</b>	<b>-</b>

Grant conditions were met in 2020 and 2019. The grant is used to create temporarily work for unemployed people.

#### Municipal Improvement Grant (MSIG)

Current-year receipts	-	1,061,000
Conditions met - transferred to revenue	-	(1,061,000)
	<b>-</b>	<b>-</b>

No new grant was received in 2020. The condition for the grant were met in 2019. The grant was used used to for capacity building and to improve billing.

#### Municipal Disaster Relief Grant

Current-year receipts	298,000	-
Conditions met - transferred to revenue	(298,000)	-
	<b>-</b>	<b>-</b>

All grant conditions were met in 2020. The grant was used for Covid-19 Relief

# Collins Chabane Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>24. Employee related costs</b>		
Basic	75,152,415	53,491,994
Cellphone allowance	5,000	6,000
Bonus	4,338,968	3,114,715
Medical aid - company contributions	3,489,204	2,307,235
UIF	408,470	372,871
Other payroll levies	21,293	21,912
Leave pay provision charge	938,850	4,331,675
Travel, motor car, accommodation and other allowances	9,821,112	6,775,429
Overtime payments	2,792,653	2,589,094
Long-service awards	134,366	(154,537)
Housing benefits and allowances	178,998	137,581
Pension fund contribution	12,221,304	9,971,583
Uniform allowance	10,041	-
	<b>109,512,674</b>	<b>82,965,552</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	967,866	938,241
Car Allowance	278,061	275,916
	<b>1,245,927</b>	<b>1,214,157</b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	402,058	719,989
Car Allowance	113,468	207,669
Leave pay	-	174,062
Acting Allowance	71,921	104,981
	<b>587,447</b>	<b>1,206,701</b>
Chief Financial Officer was effective from 01 January 2020. For the period 01 July 2019 to 31 December 2019 there was ■■ Acting Chief Financial Officer		
<b>Remuneration of Senior Manager - Corporate Services</b>		
Annual Remuneration	803,383	785,443
Car Allowance	226,742	226,548
Acting allowance	93,334	117,644
	<b>1,123,459</b>	<b>1,129,635</b>
<b>Remuneration of Senior Manager - Spatial Planning and Development</b>		
Annual Remuneration	803,383	785,443
Car Allowance	226,742	226,548
	<b>1,030,125</b>	<b>1,011,991</b>
<b>Remuneration of Senior Manager - Technical service</b>		
Annual Remuneration	742,798	770,338
Car Allowance	226,742	226,548
Bonus (Thirteen Cheque)	62,420	15,105
	<b>1,031,960</b>	<b>1,011,991</b>



## Collins Chabane Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>24. Employee related costs (continued)</b>		
<b>Remuneration of Senior Manager - Community Services</b>		
Annual Remuneration	803,383	785,443
Car Allowance	226,742	226,548
	<b>1,030,125</b>	<b>1,011,991</b>
<b>25. Remuneration of councillors</b>		
Mayor	848,415	763,933
Speaker	547,842	532,348
Remuneration and allowances for other councillors	25,346,889	25,056,817
	<b>26,743,146</b>	<b>26,353,098</b>
<b>26. Depreciation and amortisation</b>		
Property, plant and equipment	30,182,244	20,888,184
Amortisation of assets	805,024	219,972
	<b>30,987,268</b>	<b>21,108,156</b>
<b>27. Finance cost</b>		
Finance leases	110,625	41,243
<b>28. Impairment</b>		
Debt impairment	10,603,822	6,770,729
<b>29. Contracted services</b>		
<b>Outsourced services</b>		
Security services	11,379,454	8,772,927
<b>Consultants and professional services</b>		
Business advisory	27,644,861	10,060,768
Legal costs	8,001,285	7,308,351
IT services and others	12,992,151	39,312,436
	<b>60,017,751</b>	<b>65,454,482</b>

# Collins Chabane Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>30. General expenses</b>		
Advertising	1,816,441	2,531,080
Auditors remuneration	4,117,953	3,981,871
Bank charges	281,353	281,031
Consumables	5,714,251	9,015,489
Insurance	8,770,776	2,493,096
Printing and stationery	705,769	244,186
Protective clothing	1,531,129	-
Staff welfare	-	543,823
Subscriptions and membership fees	33,835	34,740
Telephone and fax	456,302	708,300
Transport and freight	4,680	144,396
Venue, conference and catering	5,247,354	5,469,649
Accommodation	3,466,703	3,391,168
Ward committees	6,123,803	3,227,105
Travel - local	1,091,269	1,647,281
Electricity	5,102,313	2,166,890
Licences and permits (non-vehicle)	295,465	1,557,801
IDP forum and other trainings	6,819,000	6,697,235
Bursary	343,516	648,753
Workmens compensation	37,490	-
Information and technology	1,684,942	2,206,850
Project transfers	-	18,406,331
Indigent expenses	4,529,745	3,055,746
Social relief	110,355	-
	<b>58,284,444</b>	<b>68,452,821</b>

Project transfer costs for 2019 related to completed INEP electrification projects which were completed and transferred to Eskom.

### 31. Auditors' remuneration

Fees	4,117,953	3,981,871
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### 32. Cash generated from operations

Surplus	225,171,391	236,695,243
<b>Adjustments for:</b>		
Depreciation and amortisation	30,987,268	21,108,156
Finance costs - Finance leases	110,625	41,243
Debt impairment	10,603,822	6,770,729
Transfer of projects (non-cash)	-	18,384,327
Gain/ loss on assets	4,831,847	(6,355,052)
Employee benefit obligations	1,943,618	1,371,633
Accrued Bonus	1,436,480	-
<b>Changes in working capital:</b>		
Inventories	(2,633,158)	(296,509)
Other receivables from exchange transactions	(430,886)	1,642,464
Receivable from non-exchange	(11,134,927)	(13,697,255)
Consumer receivables from exchange	(20,851,121)	(12,076,952)
Payables from exchange transactions	14,402,370	41,264,177
VAT receivable	(7,469,232)	(9,719,787)
Unspent conditional grants and receipts	894,694	(28,859,142)
	<b>247,862,791</b>	<b>256,273,275</b>

## Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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#### 33. Commitments

##### Authorised expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	330,683,446	64,342,468
• Operational	42,745,786	75,748,145
	<b>373,429,232</b>	<b>140,090,613</b>

# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

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### 34. Contingencies

#### Contingent Liabilities:

**1. Nyari Violet ■ Others Versus ■■■■■ (Collins Chabane) Local Municipality.**

Nyari Violet and her twenty-five (25) other colleagues, Extended Public Works Programme (EPWP) contract termination by the Municipality. R0 2019: R0

**2. Midiro Civils and Construction ■■ (First Applicant) & Lebaka Construction (Pty) Ltd (Second Applicant) versus Engineerex (Pty) Ltd (First Responded) ■ Collins Chabane Local Municipality (Second Respondent); and Engineerex (Pty) Ltd (Applicant) ■■■■ Collins Chabane Local Municipality (Second Defendant),**

Disputed Payment Certificate for Xikundu Ring Road. R17 165 134.00 2019: R17 165 134.00

**3. Khethwayo Construction CC (Plaintiff) ■■■■ ■■■■ Civil Engineering Services CC, Firms Defendant and LIM345 Local Municipality i.e Collins Chabane Local Municipality, Second Defendant**

Disputed allegation that the Municipality paid the amount wrongfully to the bank account of the partner of the Joint Venture instead of paying the same amount to the Joint Venture bank account. R0 2019: R0

**4. Tiyani Confidence Chauke ■ 37 Others (Applicant) versus ■ Collins Chauke Local Municipality (Respondent)**

Dispute over permanent employment of EPWP workers within Collins Chabane Local Municipality. Legal assessment of the case put the prospect of losing the case very low. R0 2019: R0

**5. Nkuna, Jan Wisani (First Applicant); Bila Solly Khatani (Second Applicant); The Masingita Group of Companies (Third Applicant); Mavambe Tribal Authority (Fourth Applicant); and Mavambe Tribal Council of the Mavambe Tribe (Fifth Applicant) versus Collins Chabane Municipality (12th Respondent)**

The dispute is about title to ownership/control of a huge piece of Land worth 7384 hectares. The Land in question now falls under the Jurisdiction of the Collins Chabane Local Municipality. R0 2019: R0

**6. Collins Chabane Local Municipality (Applicant) ■■■■ Mpho Richard Mshiloane N.O (First Respondent) and Tsakani Charlotte Ngobeni (Second Respondent)**

Labour court application for review of the disciplinary process which cleared by Municipal Manager of any wrong doing pertaining to the investment of R120 000 000 worth of the Municipality funds with the Venda Building Society (VBS). R0 2019: R0

**7. Collins Chabane Local Municipality Versus Sithole H.P**

The applicant referred ■ dispute for conciliation and arbitration alleging that the municipality has unfairly dismissed him R0 2019: R0.

**8. Ma-Africa Party Versus Collins Chabane Local Municipality and Eight other municipalities**

The applicant made an urgent application in the High Court Polokwane for an order for dissolution of amongst other the Council of Collins Chabane municipality on ground that it made ■■ an unlawful investment of R120 000 000 worth of its funds on VBS R0 2019: R0

**9. Nkuna, Jan Wisani ■■■■ Collins Chabane Local Municipality and Mavambe Tribal Authority**

The applicant brought an urgent interlocutory application to interdict the municipality from proceeding with a session for viewing sites/stands on a piece of land which the claim to be the owners R0 2019: R0.

#### Contingent assets

## Collins Chabane Local Municipality

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#### 34. Contingencies (continued)

##### 1. Collins Chabane Municipality Vs VRE Liquidation

The municipality has instituted a claim to recover the amount of R120 000 000 included its interest thereon R120 000 000 2019: R0.

##### 2. Collins Chabane Municipality (Applicant) Vs Rhulani Mkhize (respondent)

The respondent has illegally occupied and created a stand for himself in an area between erf 618 and erf 556 at malamulele-D Extension 3 which is the land in the property of the municipality. Attorneys was appointed and instructed to make an urgent interdict against the respondent to stop building activities. R0 2019 R0

##### 3. Collins Chabane Municipality (Applicant) Vs Chauke Stephen (respondent)

The municipality appointed attorney and instructed to make urgent application for court order that would enable municipality to have access to the property erf 667 at section-B malamulele township in order to construct and install storm water drainage pipes across the erf.

##### 4. Collins Chabane Municipality (Applicant) Vs MJ Hlongwane (respondent)

The municipality appointed attorney and instructed to make urgent application for court order that would enable municipality to have access to the property erf 738 at section-B malamulele township in order to construct and install storm water drainage pipes across the erf.

## Collins Chabane Local Municipality

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#### 35. Related parties

##### Relationships

Members of key management personnel (Refer to note 23)

TC Ngobeni (Municipal Manager)  
RR Shilenge (Acting Municipal Manager)  
NV Maluleke (Chief Financial Officer)  
R Maringa (Acting Chief Financial Officer)  
RR Shilenge (Senior Manager Corporate Services)  
HC Mukwevho (Senior Manager Planning and development)  
RI Mabunda (Senior Manager Technical Services)  
GL Maluleke (Senior Manager Community Services)  
Refer to detail remuneration below:

##### Councillors

##### Remuneration of councillors

## Collins Chabane Local Municipality

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#### 35. Related parties (continued)

##### Councillors

2020

Name	Basic salary	Car allowance	Telephone Allowance	Total
Cllr Maluleke M (Mayor)	848,415	-	44,400	892,815
Cllr Lebea ME (Speaker)	547,842	132,882	44,400	725,124
Cllr Chauke MG (Chief Whip)	513,803	124,576	44,400	682,579
Cllr Maluleke SG	513,802	124,576	44,400	682,579
Cllr Mashimbye FP	514,472	124,576	44,400	682,579
Cllr TM Mutele	287,617	69,499	44,400	399,002
Cllr Mavikane SX	514,472	124,574	44,400	682,579
Cllr Makhaha AJ	287,545	69,499	44,400	399,002
Cllr Chauke HG	287,545	67,057	44,400	399,002
Cllr Fungheni MC	287,545	69,499	44,400	399,002
Cllr Baloyi DL	287,545	69,499	44,400	399,002
Cllr Shvambu SS	217,483	58,565	44,400	319,448
Cllr Mabasa D	217,483	52,565	44,400	314,448
Cllr Khoza TG	217,483	52,565	44,400	314,448
Cllr Matamela MS	217,483	52,565	44,400	314,448
Cllr Masangu GD	217,483	52,565	44,400	314,448
Cllr Chauke TR	217,483	52,565	44,400	314,448
Cllr Maluleke ET	217,483	52,565	44,400	314,448
Cllr Simango MR	217,483	52,565	44,400	314,448
Cllr Maluleke LR	280,309	67,458	44,400	392,167
Cllr Hlongwane SG	280,309	67,458	44,400	392,167
Cllr Makhubele HT	229,731	52,565	44,400	326,696
Cllr Ndova HD	292,557	67,458	44,400	404,415
Cllr Mudau TS	515,532	122,074	44,400	682,006
Cllr Mabasa KK	229,731	52,565	44,400	326,696
Cllr Ngobeni MR	229,731	52,565	44,400	326,696
Cllr Mabasa J	280,309	67,458	44,400	392,167
Cllr Baloyi HR	217,483	52,565	44,400	314,448

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#### 35. Related parties (continued)

Clr Rivombo KE	217,483	52,565	44,400	314,448
Clr Sunduza ZW	217,483	52,565	44,400	314,448
Clr Chabangu TC	217,483	52,565	44,400	314,448
Clr Khosa HJ	217,483	52,565	44,400	314,448
Clr Mabunda MC	217,843	52,565	44,400	314,808
Clr Chauke NS	217,843	52,565	44,400	314,808
Clr Munyai N	217,843	52,565	44,400	314,808
Clr Mukhomli VN	217,843	52,565	44,400	314,808
Clr Maluleke MP	217,843	52,565	44,400	314,808
Clr Ngobeni NE	217,843	52,565	44,400	314,808
Clr Mahlale M	217,843	52,565	44,400	314,808
Clr Moyo MT	280,309	67,458	44,400	392,167
Clr Mathonsi NP	217,843	52,565	44,400	314,808
Clr Sambo TM	217,843	52,565	44,400	314,808
Clr Sithole MW	217,843	52,565	44,400	314,808
Clr Shandukani	292,557	67,458	44,400	404,415
Clr Chavani PJ	217,843	52,565	44,400	314,808
Clr Mashakeni KE	217,843	52,565	44,400	314,808
Clr Mulaudzi TN	292,557	67,458	44,400	404,415
Clr Mudau RP	292,557	67,458	44,400	404,415
Clr Ndzovela NG	217,843	52,565	44,400	314,808
Clr Rekhotsa SM	280,309	67,458	44,400	392,167
Clr Nkuna DT	217,483	52,565	44,400	314,448
Clr Miyambo ZQ	292,557	67,458	44,400	404,415
Clr Baloyi MJ	217,843	52,565	44,400	314,808
Clr Baloyi NL	217,843	52,565	44,400	314,808
Clr Mahlangu D	292,557	67,458	44,400	404,415
Clr Mabasa RC	292,557	67,458	44,400	404,415
Clr Baloyi OC	217,843	52,565	44,400	314,808
Clr Vukeya TE	217,843	52,565	44,400	314,808
Clr Chauke HM	217,843	52,565	44,400	314,808
Clr Machovani RG	217,843	52,565	44,400	314,808
Clr Tshiredo CE	217,843	52,565	44,400	314,808
Clr Hlabangwani TL	217,843	52,565	44,400	314,808
Clr Radzivhoni CM	217,843	52,565	44,400	314,808
Clr Masia TM	287,545	69,499	44,400	401,444



## Collins Chabane Local Municipality

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#### 35. Related parties (continued)

Cllr Mathoma MP	217,843	52,565	44,400	314,808
Cllr Rikhotso GM	195,883	52,565	44,400	292,848
Cllr Thovhakale MS	217,843	52,565	44,400	314,808
Cllr Ngobenl	217,843	52,565	44,400	314,808
Cllr Musvha ■	217,843	52,565	44,400	314,808
Cllr Maewanganyi TC	217,843	52,565	44,400	314,808
Cllr Bila TJ	217,843	52,565	44,400	314,808
	<b>19,161,723</b>	<b>4,395,303</b>	<b>3,142,200</b>	<b>26,743,146</b>

#### 2019

Name	Basic salary	Car Allowance	Telephone allowance	Total
Cllr Maluleke M (Mayor)	557,564	25,188	44,400	627,152
Cllr Lebea ME (Speaker)	532,732	129,469	44,400	706,601
Cllr Chauke MG (Chief Whip)	499,436	121,384	44,400	665,213
Cllr Maluleke ■	499,436	121,377	44,400	665,213
Cllr Mashimbye FP	499,436	121,377	44,400	665,213
Cllr Mutele MT	278,625	67,714	44,400	390,739
Cllr Mavikane SX	499,436	121,378	44,400	665,212
Cllr Mukhaha AJ	278,625	67,714	44,400	390,739
Cllr Chauke DG	278,625	67,714	44,400	390,739
Cllr Fungenl MC	278,625	67,714	44,400	390,739
Cllr Baloyi DL	278,625	67,714	44,400	390,739
Cllr Mazibuko MP	117,543	29,385	44,400	191,328
Cllr Shvambu S	210,737	51,215	44,400	306,352
Cllr Mabasa D	210,737	51,215	44,400	306,352
Cllr Khoza TG	210,737	51,215	44,400	306,352
Cllr Matamela MS	210,737	51,215	44,400	306,352
Cllr Masangu GD	210,737	51,215	44,400	306,352
Cllr Chauke TR	210,737	51,215	44,400	306,352
Cllr Maluleke ET	211,957	51,215	44,400	307,572
Cllr Simango MR	210,737	51,215	44,400	306,352
Cllr Mauleke LR	282,340	57,400	44,400	384,140

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#### 35. Related parties (continued)

Cllr Hlongwani SG	270,445	65,726	44,400	380,571
Cllr Makhubela HT	210,737	51,215	44,400	306,352
Cllr Ndove HD	270,445	65,726	44,400	380,571
Cllr Mudau TS	470,311	110,334	44,400	625,045
Cllr Mabasa KK	210,737	51,215	44,400	306,352
Cllr Ngobeni MR	210,737	51,215	44,400	306,352
Cllr Mabasa J	270,445	65,726	44,400	380,571
Cllr Baloyi HR	210,737	51,215	44,400	306,352
Cllr Rivombo KE	210,737	51,215	44,400	306,352
Cllr Sunduza ZW	210,737	51,215	44,400	306,352
Cllr Chabang TC	210,737	51,215	44,400	306,352
Cllr Khosa HJ	210,737	51,215	44,400	306,352
Cllr Mabunda MC	210,737	51,215	44,400	306,352
Cllr Chauke ■	210,737	51,215	44,400	306,352
Cllr Munyai N	210,737	51,215	44,400	306,352
Cllr Mukhorni VN	210,737	51,215	44,400	306,352
Cllr Maluleke MP	210,737	51,215	44,400	306,352
Cllr Ngobeni NE	210,737	51,215	44,400	306,352
Cllr Mahlate ■	210,737	51,215	44,400	306,352
Cllr Moyo MT	270,445	65,726	44,400	380,571
Cllr Mathonsi NP	210,737	51,215	44,400	306,352
Cllr Sambo TM	210,737	51,215	44,400	306,352
Cllr Sithole MW	210,737	51,215	44,400	306,352
Cllr Shandukani MJ	270,445	65,726	44,400	380,571
Cllr Chavani PJ	210,737	51,215	44,400	306,352
Cllr Mashakeni KE	210,737	51,215	44,400	306,352
Cllr Muleudzi TN	270,445	65,726	44,400	380,571
Cllr Mudau RP	270,445	65,726	44,400	380,571
Cllr Madavhu FF	123,420	29,385	44,400	197,205
Cllr Ndzovela NG	210,737	51,215	44,400	306,352
Cllr Rekhotes SM	270,445	65,726	44,400	380,571
Cllr Nkuna DT	210,737	51,215	44,400	306,352
Cllr Mlyambo ZQ	282,340	65,726	44,400	392,466
Cllr Baloyi MJ	210,737	51,215	44,400	306,352
Cllr Baloyi NL	210,737	51,215	44,400	306,352
Cllr Mhlangu D	270,445	65,726	44,400	380,571

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### Notes to the Annual Financial Statements

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#### 35. Related parties (continued)

Cllr Mabasa RC	270,445	65,726	44,400	380,571
Cllr Baloyi OC	213,803	51,215	44,400	309,418
Cllr Vukeya TE	210,737	51,215	44,400	306,352
Cllr Chauke HM	210,737	51,215	44,400	306,352
Cllr Machovani RG	210,737	51,215	44,400	306,352
Cllr Tshiredo CE	210,737	51,215	44,400	306,352
Cllr Hlabangwani TL	210,737	51,215	44,400	306,352
Cllr Redzivho CM	210,737	51,215	44,400	306,352
Cllr Masia TM	271,322	66,362	44,400	382,084
Cllr Mathoma MP	210,737	51,215	44,400	306,352
Cllr Rikhotso GM	216,227	51,215	44,400	311,842
Cllr Thovhakale MS	210,737	51,215	44,400	306,352
Cllr Ngobeni NL	210,738	51,215	44,400	306,353
Cllr Muavha S	209,898	51,215	44,400	305,513
Cllr Mazwanganyi TC	45,246	13,098	38,300	96,644
Cllr Bila TJ	488,493	26,027	44,400	558,920
	<b>18,548,009</b>	<b>4,287,162</b>	<b>3,235,100</b>	<b>26,070,271</b>

Refer to the general information for a full list of councillors

# Collins Chabane Local Municipality

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## Notes to the Annual Financial Statements

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### 36. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

2019:

#### Statement of financial position and disclosures

##### Other receivables from exchange transactions

Other receivables from exchange transactions was misstated by R326 055 as at 30 June 2019. The error was corrected in current year by restating the opening balance

##### Receivables from non-exchange transactions

Receivables from non-exchange transactions was misstated by R358 250 at 30 June 2019. The error was corrected in current year by restating the opening balance

##### VAT Receivables

VAT Receivables was misstated by R714 409 as at 30 June 2019. The error was corrected in current year by restating the opening balance

##### Property plant and equipment

Property, Plant and Equipment carrying amount was misstated by R1 112 173 as at 30 June 2019. The error was corrected in current year by restating the opening balance

##### Trade and other payables from exchange transactions

Trade payables was misstated by R504 316 at 30 June 2019. The error was corrected in current year by restating the opening balance

##### Employee benefits obligation

Employee benefits obligation was misstated by R778 037 at 30 June 2019. The error was corrected in the current year by restating the opening balance

2019:

#### Statement of financial performance

##### Employee related cost

Employee related cost was misstated 778 037 as at 30 June 2019. The error was corrected in the current year by restating the opening balances

##### Depreciations and amortisation

Depreciation and amortisation was misstated 1 093 209 as at 30 June 2019. The error was corrected in the current year by restating the opening balances

##### Contracted Services

General expenses was misstated by R152 650 as at 30 June 2019. The error was corrected in the current year by restating the opening balances

##### General Expenses

General expenses was misstated by R1 884 239 as at 30 June 2019. The error corrected in the current year by restating the opening balances

##### Irregular expenditure

Irregular expenditure was understated by R25 625 328 as at 30 June 2019. The error was corrected in the current year by restating the opening balances

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#### 36. Prior-year adjustments (continued)

##### Statement of financial position

2019

	Note	As previously reported	Correction of error	Re-classification	Restated
Property Plant and Equipment		592,213,759	1,112,173	114,895	593,440,827
Trade payables		(61,776,308)	977,461	(473,145)	(61,271,992)
VAT receivables		11,848,968	714,409	-	12,563,377
Receivables from non-exchange		24,245,205	-	358,250	24,603,455
Other receivables from exchange transaction		8,499,679	326,055	-	8,825,734
Employee benefits obligation		(8,977,788)	778,037	-	(8,199,751)
Accumulated Surplus (SCE)		(915,564,989)	(3,908,135)	-	(919,473,124)
		-	-	-	-

##### Statement of financial performance

2019

	Note	As previously reported	Correction of error	Restated
Depreciation and amortisation		(22,201,365)	1,093,209	(21,108,156)
General expenditure		(70,337,060)	1,884,239	(68,452,821)
Employee related costs		(83,743,589)	778,037	(82,965,552)
Contracted Services		(65,607,132)	152,650	(65,454,482)
<b>Surplus for the year</b>		-	<b>3,908,135</b>	-

#### 37. Comparative figures

Item in the annual financial statements are presented with their corresponding comparative figures for the previous financial year period.

# Collins Chabane Local Municipality

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### 38. Risk management

#### Financial risk management

##### Interest rate risk

The municipality has no significant interest-bearing assets and ■ ■ result thereof the municipality's income and operating cashflows are substantially independent of changes in market interest rate.

##### Liquidity risk

The Municipality's risk to liquidity is ■ result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

##### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Financial assets exposed to credit risk at year end were as follows:

##### Maximum credit exposure

	2020	2019
Other receivables from exchange transactions	9,256,620	8,825,734
Receivables from non-exchange transactions	47,406,340	24,603,455
Consumer debtors from exchange transactions	2,135,811	1,604,706
Cash and cash equivalents	374,012,734	330,956,279
	<b>432,811,505</b>	<b>365,990,174</b>

##### Credit risk

Financial liabilities exposed to credit risk at year end were ■ follows:

	2020	2019
Financial instrument		
Finance lease obligation	4,996,747	387,756
Payable from exchange transactions	73,176,648	61,271,992
Employee benefits	10,143,369	8,199,751

### 39. Going concern

We draw attention to the fact that at June 30, 2020, the municipality had accumulated surplus of R 1,144,644,521 and that the municipality's total assets exceed its liabilities by R 1,144,644,521.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Covid 19 had no significant impact on the municipality going concern. The Municipality will continue to receive its equitable shares for the financial year 2020/21

### 40. Events after the reporting date

#### Adjusting event

On 27 August 2020 subsequent year-end but before submission of Annual Financial Statements the Council approved the write off of Irregular Expenditure for 2017/18, 2018/19 and 2019/20 as identified, Fruitless and wasteful expenditure of R770 269.15 and Unauthorised expenditure of R10 363 863. The Annual Financial statements as at 30 June 2020 has been adjusted.

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### 40. Events after the reporting date (continued)

#### Non- adjusting event

The Minister of Finance on 05 August 2020 issued MFMA Exemption Circular no.104 on which the submission of Annual Financial Statements was moved from 31 August 2020 to 31 October 2020.

Cllr Fungheni MC retired from Council effective on 27 September 2020, The Councillor was replaced by Cllr Baloyi ME on the same date

### 41. Unauthorised expenditure

Opening balance	154,213,313	143,844,450
Incurred: Current year	-	10,368,863
Written-off	(10,363,863)	-
	<b>143,849,450</b>	<b>154,213,313</b>

There was no unauthorised expenditure for the financial year ended 30 June 2020.

The unauthorised expenditure incurred previous year was investigated by MPAC and the Council on a meeting held on 27 August 2020 approves for the write-off amounting to R10 363 863 (Council Resolution no. A04/31/05/2019)

Unauthorised expenditure of R0 2019:R154 213 313 was caused by loss on VBS investment, transfer of electrification projects to Eskom, depreciation and impairment of property, plant and equipment.

### 42. Fruitless and wasteful expenditure

Opening balance	814,298	740,286
Add: current year	399,787	1,163,285
Recovered	-	(590,507)
Written-off	(299,671)	(498,766)
	<b>914,414</b>	<b>814,298</b>

The fruitless expenditure incurred was investigated by MPAC and the Council on a meeting held on 27 August 2020 approves for the write-off amounting to R259 876 (Council Resolution no. A20/27/08/2020)

The fruitless expenditure incurred was investigated and the Council on a meeting held on 31 May 2019 approves for the write-off amounting to R498 766 (Council Resolution no. A04/31/05/2019). Controls are put in place to mitigate the incurrence of expenditure in future.

The fruitless expenditure was due to the overpayment of supplier, Telkom, Eskom and SARS interest and penalties charged to the municipality.

The amount recovered consist of the repayment of amounts owed by the Councillors on the usage of cellphone and data on overpayment of cellphone allowances.

## Collins Chabane Local Municipality

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### Notes to the Annual Financial Statements

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<b>43. Irregular expenditure</b>		
Opening balance	154,771,311	104,944,110
Add: Irregular Expenditure - current year	63,970,074	53,329,694
Less: Amounts written-off	(196,264,555)	(29,127,821)
Add: Prior year error	-	25,625,328
	<b>22,476,830</b>	<b>154,771,311</b>

The Irregular expenditure incurred was investigated by MPAC and the Council on a meeting held on 27 August 2020 approves for the write-off for 2017/18, 2018/19 and 2019/20 amounting to R196 264 555 (Council Resolution no. A20/27/08/2020)

The above amount was incurred as a result of not following the proper tender and quotation processes and procedures.

The matters above have been submitted to council for investigation and the council approved for a write-off of Irregular expenditure amounting to R29 127 821 on a meeting held on 31 May 2019 (Council Resolution no. A04/31/05/2019).

#### 44. Additional disclosure in terms of Municipal Finance Management Act

##### VAT

VAT receivable	20,032,609	12,563,377
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##### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2020:

June 30, 2020	Outstanding more than 90 days R	Total R
ClIr Baloyi NL	- 8,070	8,070
ClIr Mahiale S	- 53,841	53,841
ClIr Makhubele HT	- 3,109	3,109
	<b>- 65,020</b>	<b>65,020</b>
June 30, 2019	Outstanding more than 90 days R	Total R
ClIr Chauke MG	- 13,305	13,305
ClIr Mashimbye FP	- 12,497	12,497
ClIr Fungeni	- 6,256	6,256
ClIr Baloyi DL	- 3,803	3,803
ClIr Mabasa D	- 11,689	11,689
ClIr Munyai N	- 5,063	5,063
	<b>- 52,613</b>	<b>52,613</b>

#### 45. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements. Total deviation for current year was R6 669 505 2019: R3 150 032



# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

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### 46. Budget differences

#### Material differences between budget and actual amounts

The municipality explains all excess of actual expenditure over the final budget of 10% over approved budget.

#### A. Explanation of variances for statement of financial performance

##### Revenue:

**Interest income** - variance was caused by increase in the bank balance during the year. The interest from the primary bank account was budgeted under other revenue. No external investment was made during the year.

**Rental income** - The variance is due to government spheres that are utilising the municipal properties (boxing gym and guesthouse) at no fee, including the local radio station. The waiving of costs to communities and other departments contribute to the under collection.

**Licence and permits** - There was anticipation that the upgrade of testing station will be completed and in use during the year and there were delays.

**Other revenue** - The variance is caused by the interest on primary bank account which was budgeted under this line item. The actual interest received was reported under Interest Income.

**Gain on assets** - Variance was due to fair valuation of investment properties performed at year end.

**Traffic fines** - The variance is due to the cancellation of tickets by the magistrate, and reduction of traffic summons by the public prosecutor.

**Depreciation and amortisation** - The variance was caused by an increase in capital projects completed and capitalised during the year.

**Repairs and maintenance** - Savings was achieved as a number of municipality plant were new and in good condition.

**Debt impairment** - Improved impairment methodology was used

**Finance cost** - The variance relates to finance lease liability and it was not budgeted for.

**General expenditure** - The variance was linked to the growth of the municipality in line with new appointments and implementation of projects. No electrification projects were transferred in the current year. The decrease in costs relating to venue, conference, catering, accommodation, travelling and advertising due to national lockdown

#### B. Explanation of variances for statement of financial position

##### Assets

**Inventory** - The variance is caused by an increase in the inventory usage in relation to the increase in employees

**Other receivables from exchange transaction** - The variance is decrease due to impairment of debtors.

**Receivables from non-exchange transaction** - The variance was due to impairment assessment of receivables.

**Property Plant and equipment** - The budget was due to increase in estimation for capital projects. There was a delay in finalisation of other projects.

## Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

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#### 46. Budget differences (continued)

**Intangible assets** - Less than budgeted intangible assets were acquired during the year under review.

**Investment Property** - Variance was caused by fair valuation of investment properties at year end.

**Consumer debtors** - The variance was as a result of low collection rate and high debt impairment.

**VAT Receivables** - line budget was not budgeted for in the current

#### Current Liabilities

**Payable from exchange transactions** - The variance was due to high amount of accrued invoices at year end and the growth of the municipality.

**Finance lease liabilities** - line item not budgeted for

**Long term liabilities** - increase in the number of employees due to new appointments made during the year.

#### C. Explanation of variances for Cash Flow Statements

**Service charges** - The variance was due to improved controls on Refuse removal billing for the during the year.

**Other receipts** - The variance is due to SARS recoveries received during the year.

**Interest - Bank** - The variance is caused by interest earned on primary bank. The budget of R3 million was budgeted for interest earned from external investment. No investment was made during the year.

**Employee costs** - savings due to delay in appointments of vacant positions and impact on overtime payments due to National Lockdown, where some employees were working from home.

**Suppliers and other payments** - Variance was due to growth of the municipality size and spending. There was a savings on travelling, accommodation and catering costs due to lockdown restrictions which prohibited travelling and mass gatherings.

**Purchase of Property plant and equipment** - Delay on appointment and implementation of some Capital projects as a result of National lockdown due to Covid19.

**Proceeds from sale of investment property** - There was no sale of investment properties during the year

**Purchases of Heritage assets**: The budget for Mayoral gowns and chain was budgeted under other assets, and was reclassified to heritage assets during the year.